

Support For Economic Growth And Institutional Reform Financial Services

Contract no. PCE-I-00-99-00007-00

**Quarterly Performance Report #11
July 1 – September 30, 2001**

Submitted to:
John Crihfield G/EGAD/EM CTO
U.S. Agency for International Development
Washington, DC

Submitted by:

Chemonics International Inc.

October 30, 2001

Quarterly Performance Report #11 to USAID/G/EGAD/EM
July 1 – September 30, 2001

I. Active Delivery Orders

A. Support to Madagascar CEM -Contract No. PCE-I-00-99-00007-00 Task Order 801

- *Start Date* - April 12, 2000
- *Completion Date* - October 11, 2001
- *Amount of Task Order*- \$506,975
- *Task Order Objective* - To support the *Caisse d'Epargne de Madagascar* (CEM) in completing its transformation to an independent institution and provide limited institutional strengthening work to lay the groundwork for developing and expanding the CEM's microfinance services.
- *CTO* – Mr. Robert Dean
- *Consortium Team Members* - Warren Chase, Chief Technical Adviser (Chemonics), Frederick Dulles, Legal Expert (Taylor-DeJongh), Khai Nguyen, Financial Management Expert (Chemonics), Ali Rammal, Electronic Information Management Specialist (Chemonics), Abraham Elison, Local Professional.
- *Applicable Internet Links* – http://www.fs.chemonics.com/taskorder_details.asp?pid=41
- *Project Summary:*

During this quarter the Chemonics team began its final push before the contract's termination date – October 11, 2001. Two trips to Madagascar were planned. The first took place in August by Mr. Rammal and Mr. Nguyen. During this visit, Mr. Nguyen worked with the CEM management to resolve certain accounting issues that pertain to the institution's conversion from an EPIC to a *societe anonyme* (S.A.). Meanwhile, Mr. Rammal collaborated with the CEM's information technology specialists to continue the design and development of a new management information system (MIS) and electronic money transfer system. The highlight of the trip was when Mr. Rammal demonstrated the prototype of the electronic funds transfer system.

Mr. Chase and Mr. Dulles were scheduled to travel to Madagascar in late September for the final mission. For unexpected health reasons, Mr. Dulles was unable to make the trip, however Mr. Chase went as planned. While there he worked with our local legal experts to draft the necessary ancillary legal texts and advice relating to the CEM's conversion to an S.A. In addition, he helped to develop materials necessary for the processes of licensing and the mobilization of private capital, as well as worked to develop a list of potential institutional investors. He also delivered a credit seminar to the CEM staff during this time.

- Contact Information

Warren Chase
 Chief of Party
 11 Penn Plaza 5th Floor
 New York, New York 10001
 Tel: (212) 692-0794
 Email: mitancapital@aol.com

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
801	\$506,975	\$387,763	\$119,212	Oct. 11, 2001	N/A	22

B. Building a Microfinance Industry for the West Bank & Gaza -Contract No. PCE-I-00-99-00007-00 Task Order 802

- *Start Date – September 21, 2000*
- *Completion Date – September 20, 2003*
- *Amount of Task Order- \$5,554,547*
- *Task Order Objective*

The project will establish a sustainable microenterprise industry in the West Bank & Gaza in order to enhance the potential for rapid growth of micro lending, and to make the availability of this product and other related financial services a permanent and sustainable feature.

- *Key Tasks to Meet Objective-*
 - Provide technical and/or possible financial assistance to a Microcredit Forum in West Bank & Gaza
 - Identify and provide the necessary training to create a pool of microfinance trainers.
 - Information campaign and public awareness to promote the values and practice of sustainable microfinance.

- D. Build and encourage linkages within the microcredit bureau.
- E. Conduct studies, seminars and analysis.
- F. Support the development of commercially viable financial services.

- *CTO* – Mr. Johnny Zeidan
- *Consortium Team Members* – Charles W. Taylor (Chief of Party), Imad Hamze (Senior Microfinance Specialist), Amr Khilfeh (Microfinance Specialist/Financial Analyst).
- *Applicable Internet Links* -- http://www.fs.chemonics.com/taskorder_details.asp?pid=42
- *Specific Tools Used* – N/A
- *Project Summary*

Through this task order, USAID is supporting a program of technical assistance and training to develop a sustainable microlending industry in the West Bank and Gaza, targeting its Strategic Objective "*expanded private sector economic opportunities*." Chemonics International, MASSAR Associates, and Shorebank Advisory Services are implementing the project to enhance the potential for rapid growth of microlending and to make the availability of this product and other related financial services a permanent and sustainable feature in the region. The goals of the project are illustrated in the following seven components:

- *To improve cooperation between microfinance practitioners* by establishing an industry association that promotes best practice principles and entry into the market by commercial banks.
- *To strengthen microfinance skills* in the region through the establishment of a viable training institution and the training of at least 30 professional trainers capable of meeting the needs of the industry.
- *To increase the demand for microfinance services* to expand public awareness of the benefits and values of microfinance and to advocate for public policy and banking reforms.
- *To create operational linkages between microfinance programs* through the merger of NGO programs and their cooperation with commercial banks.
- *To develop credit advisory services* through a sustainable privately-owned credit bureau that maintains accurate credit backgrounds of existing and potential clients.
- *To improve the understanding of microfinance programs in WB/G* through studies, seminars and applied research.
- *To improve the efficiency and appropriateness of financial services* by helping microfinance programs develop new products and reorganize themselves into formal microfinance institutions (MFIs) capable of mobilizing local capital.

July

The microfinance forum (known as the *Network*) met in Ramallah and finalized the discussions of the bylaws, in consultation with a legal expert. To facilitate work in Gaza,

the Deputy Chief of Party and the Financial Analyst met with the Gaza Microfinance Forum in Gaza City. Two banks attended in addition to member NGOs plus UNRWA and the Palestinian Development Fund (PDF).² Although some of the MFPs are represented in the main West Bank forum, the individual organizations agreed that their geographic location and the closures have marginalized them and thus would like to participate as part of the Gaza forum. The forum meetings have paved the way for several linkages between the MFPs.

Middle management of MFPs participated in the Managing People Seminar from July 9-12 in Ramallah. Another training session was offered to the microfinance program managers in Gaza from July 16-18. The total number of people who participated in the training was 19, 8 in Ramallah and 11 in Gaza.

Public awareness tasks have been prioritized as part of the communications strategy developed by the communications specialist at the Chemonics HO. An expert from Massar is coordinating work on this component with the communications specialist at HO. The specific tasks to be completed under this component are expected to be finalized in the coming two months.

At the same time, a study of the extent to which the legal system will allow the creation of a credit bureau is expected to be finished in September of this year.

August

The memorandum of understanding for the *Network* was revised and amended to fit the needs of the Gaza microfinance industry, and consequently, the microfinance industry in Palestine. Ms. Helen Dunlap of SAS submitted her final report explaining her observations in the West Bank and Gaza, training needs, recommendations and a preliminary plan of action for training for this year and the beginning of 2002. The observational study tour (OST) to Chile and Peru planned for November will be postponed to February 2002. The letter of invitation asking for expression of interest was sent to all stakeholders from banks and NGOs. ISAMI will establish the final criteria for the selection of 8-10 representatives of commercial banks and NGOs from Gaza and the West Bank to participate in this activity.

Regarding the communication plan, a team composed of ISAMI/Chemonics home office support staff met with Jane Masri of Massar, who will create/develop many of the materials for the public awareness campaign. Chemonics initiated a fixed price contract with Edelman Communications International (ECI) to design and develop the project website.

² It was decided at the PDF/ Palestine Banking Corporation (PBC) that PDF is the name to be used by to implement the microfinance program and not the PBC. Mr. Chris August heads both PDF and PBC. It was thought that the PDF has been transformed into a bank, the PBC, but in fact it is PDF that is implementing the microfinance program and not the PBC.

The Cooperative Housing Foundation was contacted and a meeting between them and the Arab Land Bank will take place soon. Both have expressed interest in cooperation and would like to discuss some form of linkage. ISAMI will be attending these meetings.

ISAMI is working with Massar on several studies. This month, Massar submitted the questionnaires used for the survey for the computer lending study and for the Weidemann study. On the legal and regulatory track, Massar is working on this study as well.

September

The bylaws were finalized in Arabic and English, and will be discussed on the 3rd of October. The steering committee of the Network will meet and discuss issues of concern. Some issues on the agenda are the public awareness campaign, spokesperson for the Network, membership fees, and other activities of ISAMI. Chuck Taylor, COP, and Mazen Assad from Massar presented a seminar on how to write a business plan on September 11-12. The seminar provided lenders from banks and NGOs with the knowledge of what is included in a business plan and the information needed to complete this plan in addition to other aspects of business planning. A total of 16 trainees participated in this activity. Another training in Gaza took place on September 4-6, 2001, which tackled subjects such as qualities and qualifications of the loan officer, communication skills, debate and conversation management, incentives and skills, and other subjects. The COP is working on a concept paper for an Accounts Receivable Financing product that can be provided by banks to their customers. The paper will be available in October.

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
802	\$5,554,547	\$872,090	\$4,682,457	September 20, 2003	N/A	N/A

C. Uganda Support Private Enterprise Expansion and Development (SPEED) - Contract No. PCE-I-00-99-00007-00 Task Order 805

- *Start Date – October 6, 2000*
- *Completion Date – December 31, 2003*
- *Amount of Task Order- \$17,490,211*
- *Relevant Link: http://www.fs.chemonics.com/taskorder_details.asp?pid=40*
- *Task Order Objective - This task order is to design and implement a new, aggressive intervention that will address the needs of micro, small and medium sized enterprises and*

make systematic changes. This new activity will focus on access to finance and business skills development.

- *Key Tasks to Meet Objective*

Phase I – Assessment

The *Assessment Report of Micro-, Small- and Medium-Enterprise Sector in Uganda* was submitted on November 17, 2000. These findings were presented in written form to USAID/Kampala and questions answered in follow-up sessions.

Phase II – Design

The draft design document was submitted to USAID/Kampala on December 20, 2000 and was finalized and a contract modification was signed in March 2001.

Phase III – Implementation

The design document was finalized and approved by USAID on March 1, 2001. Initial start up activities have been completed, the entire team is in the field, and activities are underway in all project component areas.

- *Project Summary - Implementation.*

SPEED works with SMEs, microfinance institutions (MFIs), and commercial banks to strengthen their capacities so MFIs can expand and move up market while commercial banks move down market to meet the financial needs of the “missing middle.” The project works with business development services (BDS) providers to offer quality and demand-driven services that address the business needs of microenterprises, SMEs, and agricultural enterprises. Finally, SPEED works in the policy arena to address constraints to microenterprise and SME development (MSME).

During the work planning process, SPEED staff used these guiding principles to identify Key Results Areas (KRAs) in each of its three technical components (Business Capacity, Financial Services, and Business Environment) as well as in Program Management.

A. Business Capacity

The goal of the Business Capacity Component is to increase the demand for BDS among MSMEs and MFIs, while increasing the flow of financial services to these same organizations. To achieve this goal, SPEED works to build opportunities and strengthen organizational and institutional capacities of businesses and BDS providers. Third quarter activities include:

- Assessed regional market potential and opportunities for Ugandan dairy products, through an in-depth dairy marketing survey of Kenya and Rwanda.
- Established selection criteria and screened potential candidates to build a cadre of existing local business development services (BDS) providers. These consultants will work in tandem with SPEED staff to build capacity of MSMEs in Uganda.

- Collaborated with the USAID Competitiveness Enterprises and Trade Expansion (COMPETE), Investment and Development of Export Agriculture (IDEA), and trade Capacity projects to ensure coordination of activities.
- Completed a business analysis for the largest private coffee producer in Uganda.
- Began a feasibility study, at the request of the Uganda Coffee Development Authority, for the establishment of four pilot processing facilities, which would work with more than 1,600 new outgrowers.
- Finalize an action plan to survey fish producers to determine the causes of post harvest fish loss, and develop a strategy to reduce these losses.
- Finalized an action plan to survey fish producers to determine the causes of fish harvest in Uganda, through the development of two model landing sites, in a remote island area, and on the mainland, respectively.
- Completed an assessment of the fish farming sub-sector, and drafted the framework for a pilot commercial fish-farming project.
- Developed a program to build capacity in Kinyara Sugarcane Growers, Ltd. that will improve sugarcane yields and increase incomes of rural farmers.
- Conducted initial analysis of the cotton sector, focusing on the technical and market potential of Uganda producers and exporters.

B. Financial Services

The objective of the Financial Services Component is to increase access to financial services by MSMEs. Targeted within this component are commercial banks, MFIs planning to transform to microdeposit taking institutions (MDIs), MFIs seeking to reach financial self-sufficiency (FSS), SMEs, and financial sector associations. Third quarter activities include:

- Concluded negotiations with DFCU Leasing to open three upcountry branches to provide leasing services to local businesses.
- Created a framework for a loan guarantee program with the Development Credit Authority (DCA) and USAID/Uganda to increase financial services available from seven participating banks.
- Developed activity plans, budgets and timelines for the transformation of three microfinance institutions (MFIs) to micro-deposit taking institutions.
- Selected six MFIs on the verge of financial self-sufficiency (FSS) to receive intensive technical assistance and training to expand outreach and reach financial sustainability.
- Reviewed innovating banking software, and identified management information system packages that meet the stated needs of top tier MFIs.
- Conducted a lending training program and training of trainers for Uganda's top commercial banks interested in developing SME targeted loan products.

C. Business Environment

The overall objective of the Business Environment component is to create a more business friendly environment that enhances the ability of MSMEs to obtain financing and become engines of growth in Uganda. Third quarter activities include:

- Conducted three major consultative and public awareness roundtables on alternative dispute resolution (ADR). More than 100 private sector players attended the roundtable for the business community. Fourteen top members of the Ugandan judiciary participated in the discussion of SPEED's strategy for transferring causes from the Commercial Court to the Center for Arbitration and Dispute Resolution (CADER). The seminar on ADR methodologies for attorneys was attended by 65 members of the Ugandan bar.
- Developed, in partnership with CADER, a comprehensive approach for transferring cases from the Commercial Court to CADER using ADR methods.
- Drafted detailed workplans for the reform of the Land and Company's Registries.
- Provided technical assistance to the Land and Company's Registries in archiving methodologies and file indexing and rehabilitation.

Expected Results

- Increased use of financial services by SMEs, agricultural enterprises
- Accelerated commercialization of the MFI industry
- Increased use of BDS by microenterprises and SMEs
- Improved policy environment for microenterprises and SMEs

Beneficiaries

SMEs and agricultural enterprises, MFIs, commercial banks, BDS providers, and associations

Ugandan Partners

Uganda Institute of Bankers, Centre for Arbitration and Dispute Resolution, Commercial Registries Services Bureau, Land Registry, and Ministry of Finance, Planning and Economic Development

Geographic Scope

National

- *CTO* – Jackie Wakhweya
- *Next deliverable:* Semi-annual report, due December 2001
- Contact Information

Phil Broughton
Chief of Party, SPEED Project
Shimoni Office Village, Unit 3
18 Clement Hill Road
Kampala, Uganda
Telephone: (256-41) 346 864
E-mail: speed@infocom.co.ug

Task Order #	Authorized Expenditure	Actual Expenditure to September 30, 2001	Balance	Estimated Completion Date	Actual Completion Date
805	\$17,490,212	\$3,947,568	\$13,542,644	December 31, 2003	N/A

D. Implementation of the USAID/Mexico Microenterprise Strategy - Contract No. PCE-I-00-99-00007-00 - Task Order 804

- *Start Date* – September 30, 2000
- *Completion Date* - September 30, 2003
- *Amount of Task Order*- \$1,990,258
- *Task Order Objective* - This project will provide high caliber technical assistance and training to partner microfinance institutions and to other microenterprise support organizations, so they can address their institutional weaknesses and create the institutional base needed to serve the microfinance sector.
- *Key Tasks to Meet Objective*
 1. Technical assistance and training
 2. Execution of the DCA guarantee
 3. Sector development
 4. Donor coordination
 5. Management of the strategy, monitoring and evaluation
- *CTO* – Janet Paz-Castillo
- *Consortium Team Members* - Miguel Rivarola (Microfinance Long-term Advisor)
- *Applicable Internet Links* - http://www.fs.chemonics.com/taskorder_details.asp?pid=43
- *Specific Tools Used* - N/A
- *Project Summary*

The Implementation of the USAID/Mexico Microenterprise Strategy project continues to advance on its five key tasks, as described above. The project's most significant accomplishments of the quarter included:

- Formulation of a vision for the microenterprise sector

- Formation of a strategic committee to oversee the regulatory body for social banking institutions (Federacion de Sociedades Financieras Populares)
- Start-up of the provision of short-term technical assistance for microfinance institutions, Fincomún and Crédito Progreso. The consultant will also prepare a Savings Manual Model to be adapted and applied to other microfinance institutions in Mexico.
- Signed a modification of the USAID/Mexico project with Chemonics, increasing project funds by \$596,720.

1. Technical assistance and training

In the past quarter, the FS Mexico project held weekly meetings to plan for the future development of a regulatory and supervisory body (*federacion*) for microfinance institutions (MFIs) in Mexico. The project supported the formation of 4 working committees: i) Strategy; ii) Supervision; iii) Organization and Logistics; iv) Legal and Fiscal. The project helped to develop a draft work plan for the organizers to follow, spelling out the tasks of each of these working committees. Miguel Rivarola, the Mexico Long-term Technical Advisor (MLTA), is providing assistance to the Strategy and Supervision committees. One of the most important tasks performed by the Supervision committee is the development of a scope and approach of supervision. The MLTA helped to develop a proposal for the federacion to request technical assistance from the Inter-American Development Bank (IADB), requesting \$700,000 of support.

The federacion will include the following 10 MFI members which will have to adopt the legal corporation figure of “sociedad financiera popular”:

1. Asociación de Empresarias Mexicanas (ADEM)
2. Compartamos – Sociedad de Objeto Limitado
3. Su Casita – S.M.
4. Centro de Apoyo al MicroEmpresario I.A.P. (CAME)
5. Fundación Los Emprendedores I.A.P. (LE)
6. Servicios Financieros Comunitarios, S.A. de C.V. (FINCOMUN)
7. Fundación Mexicana para el Desarrollo Rural, A.C.
8. Sociedad Financiera Popular Alpura (to be organized)
9. Sociedad Financiera Popular Progreso (to be organized)
10. Sociedad Financiera Popular General (to be organized)

Another technical assistance and training sub-component involves the institutional development of ProDessarrollo, a network of microfinance institutions. Since ProDessarrollo has not yet replaced its Director, the proposed work with it has been largely postponed. Nonetheless, three items have moved forward. First, ProDesarrollo hired Amy Glover to conduct a "Study of the Profile of ProDessarrollo Members," which the MLTA reviewed and gave feedback on. Second, ProDesarrollo hired Eve Halmiton to prepare a pre-feasibility study of a private credit bureau. The MLTA reviewed it and gave feedback. Both studies were approved by USAID/Mexico. Third, ProDessarrollo developed a "Vision for the Microenterprise Sector," which it presented at a breakfast on September 28, 2001. The vision still needs to be discussed and revised by microfinance institutions in a participatory manner. So upon the recommendation of the MLTA, USAID has requested ProDessarrollo

to continue to work to improve it and to develop a work plan incorporating the members' feedback. In addition to these two pieces of work, the MLTA began planning for a study tour to Bolivia to allow Mexican MFIs to learn from the experiences of Bolivian MFIs.

The largest technical assistance and training component is to strengthen four microfinance institutions: Fincomún, Union de Crédito Progreso, Admic Nacional and Crédito Familiar.

Fincomún - the project is helping to revise the business plan and has developed scopes of work for short-term technical assistance in the areas of internal control and human resources, which should be fielded in November. The short-term technical assistance will develop internal control manuals for both Fincomún and Unión de Crédito Progreso and will also develop a Manual Template to be used by other microfinance institutions in México.

Union de Crédito Progreso - the MLTA worked with the MFI on strategic planning and asset valuation and oversaw the development of two Credit Operational Manuals. The project provided credit trainings in August and September that were very successful. On a scale of 1 to 5, participants ranked the trainings at 4.23. The new CTO, Janet Paz-Castillo visited on September 21 to celebrate the 25th anniversary of Unión de Crédito Progreso and was pleased with what she saw.

Admic Nacional - an agreement was reached on September 26 for the project to provide technical assistance and training, which will complement the technical assistance currently provided by ACCION International, beginning with a short training session on microsavings by Luis Bocchio, STTA.

Crédito Familiar - an agreement was reached at a meeting on September 7 for the project to provide technical assistance and training on credit methodologies. On September 24, technical assistance began to help develop a MicroEnterprise Credit Operations Manual and to establish a "microenterprise credit scoring" system.

2. Execution of the DCA guarantee

The MLTA provided significant technical assistance to oversee the implementation and monitoring of the Development Credit Authority (DCA). Fincomun has a portfolio guarantee that will be used as a marketing tool to capture fixed term deposits from members and Unión de Crédito Progreso has a guaranteed loan from Wells Fargo Bank that is being used to increase its microenterprise lending and in the future as a marketing tool to capture fixed term deposits. USAID approved the guarantee conditions for Fincomún in May and for Unión de Credito Progreso in June, 2001. The program requires that Union de Credito Progreso place 460 loans totaling \$500,000 by the end of the year. So far, Union is on target in terms of loan amount (with 71% achieved) but the number of loans is only at 30% of the target. More worrisome, however, is that Union de Credito Progreso's delinquency has risen from 5.8 percent over 90 days past due in December 2000 to 8.9 percent in September 2001. Fincomún, on the other hand, has already exceeded its goals, while maintaining delinquency of the DCA portfolio under one percent. It has placed 925 loans for a total of \$795,758, as compared to its projections of 712 loans for a total of \$396,000. The MLTA will continue to monitor the DCA closely and make sure that Union de Credito Progreso's portfolio stays on track.

3. Development of the sector

The Ibero-Americana University and the Frontera Norte College (COLEF) finished a study that documents the contribution of microenterprise to the Mexican economy. . At the end of September, ProDessarrollo agreed to cover the costs of producing 50 copies and distributing it to its members and interested officials. Later, both universities submitted a proposal in response to the scope of work developed by STTA, Miguel Cabal, to research the needs and characteristics of microenterprises and their potential links to migration. USAID reviewed the proposal in July 2001 and decided to fund the study. Chemonics is currently in the process of drawing up sub-contracts with the two universities so they can begin work on the study.

4. Donor coordination

The MLTA held meetings with the Ford Foundation with Dr. Alejandro Mungaray Lagarda, Professor of the Independent University of Baja California. Dr. Mungaray is implementing a project "Organizational Model for Social Service Support to Microenterprises." The MLTA shared information about the research being conducted by the Ibero-Americana University and COLEF, ensuring that both research projects will benefit from the other and not overlap. In addition, the MLTA met with F. Ramón Braojos García, Coordinator of the International Network of Research Methodologies for Production Systems, which is in the process of developing benchmarks for labor competencies for microfinance institutions in Mexico. This research may be helpful to the human resource work in process with Fincomún and Union de Credito Progreso.

5. Management of the strategy, monitoring and evaluation

The MLTA helped to transition two CTOs on the project. As Ann McDonald left as CTO on the project, the MLTA worked to bring Charles Schnell up to speed as interim CTO. Recently, he has worked with the new CTO, Janet Paz-Castillo, to help her become involved with the project. He has had several meetings and shared his ideas and thoughts on microenterprise strategy and implementation. The MLTA worked with USAID/Mexico to modify the task order #804 to add an additional \$596,720, of primarily short-term technical assistance (STTA) to the project. The STTA will free up the MLTA to offer more technical assistance and training related to the creation of an appropriate regulatory environment for microfinance institutions in Mexico.

- *Contact Information*

Miguel Angel Rivarola
Long Term Technical Advisor
Avda. Luis Cabrera No. 516 - Casa 23
Colonia San Jerónimo Lidice
10200 Mexico, DF
Mexico

Tel: 52-5033-8764

Email: mrivarola@chemonics.net

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
804	\$1,990,258.00	\$304,423.35	\$1,685,834.65	September 30, 2003	N/A	620

E. Madagascar CEM - Contract No. PCE-I-00-99-00007-00, Task Order 806

- *Start Date* – May 7, 2001
- *Completion Date* – May 6, 2002
- *Amount of Task Order* - \$224,761
- *Task Order Objective*

Chemonics is helping the Caisse d'Epargne de Madagascar (CEM), the foremost provider of savings services in Madagascar, to expand access and enhance the quality of its financial services to the poor while strengthening its long-term sustainability. Chemonics is helping improve the CEM's savings and money transfer services, including strengthening the CEM's information systems to support assessment of profitability and performance, improve internal control systems, and better inform business strategy development.

- *CTO* – Mr. Robert Dean
- *Consortium Team Members* - Warren Chase, Chief Technical Adviser (Chemonics), Ali Rammal, Financial Institution MIS Specialist, Njara Ramdriamisata, Local Professional.
- *Applicable Internet Links* – http://www.fs.chemonics.com/taskorder_details.asp?pid=47
- *Project Summary:*

USAID awarded the CEM II task order to Chemonics International on May 7, 2001. By month's end, Chemonics had negotiated contracts for the team members and commenced the first mission to Madagascar. Mr. Chase & Mr. Rammal arrived in Antananarivo on May 25th where they met Mr. Ramdriamisata. Their task during the initial assessment visit was to define the work necessary to complete the contract and ultimately develop a project Work Plan. The Work Plan was approved on June 14th by Mr. Robert Dean, CTO.

The Work Plan laid out the tasks necessary to meet the project objectives. Four tasks were identified as critical to the success of the task order:

1. Specify requirements for an integrated banking software package suitable for a thrift institution to replace the system currently in use.
2. Design and implement a pilot project for real-time transfer and transaction management for two pilot agencies and the CEM office.
3. Strengthen and design an MIS capable of generating quarterly reports to assist business and strategic planning.
4. Training for CEM staff

Work is proceeding ahead of plan with good prospect of achieving results as specified under the contract and providing substantial added value to the CEM in the process. To date, assistance has been provided to CEM management and in collaboration with it, in the following areas:

- Conceptualization and documentation of specification requirements for a new software system.
- Design and testing of a prototype for new real-time money transfer system within the CEM network.
- Advice on enhancements to CEM's existing software system to help ensure better control.
- Creation of an in-depth summary of all Management Information available for the CEM with status.
- Training in Visual Basic and Case Tools.

The principal results from the aforementioned services provided are as follows:

- A system abstract and future functional specifications requirements document has been completed.
- The real-time money transfer pilot project has been conceived and documented, and procurement of material necessary to operate it has been effected. Prototype testing has occurred.
- An in-depth summary of MIS available and status has been completed.
- Training for CEM personnel has been delivered in accordance with the Work Plan.

In addition, in collaboration with CEM management and USAID, the team decided to contract a local consulting firm, Delta, that assisted in the initial systems analysis. The firm will analyze the CEM's existing database to identify any errors or irregularities that would hamper the performance of the new information system.

The next mission to Madagascar is tentatively scheduled for January 2002 by Mr. Warren Chase and Mr. Ali Rammal.

- *Next Deliverable*

The team hopes to send 2-3 representatives from the CEM to Europe to participate in an information technology trade fair and/or visit savings bank in France in the next quarter.

- Contact Information

Warren Chase
 Chief of Party
 11 Penn Plaza 5th Floor
 New York, New York 10001
 Tel: (212) 692-0794
 Email: mitancapital@aol.com

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
806	\$224,761	\$118,333	\$106,428	May 6, 2002	NA	78

II. Completed Delivery Orders

A. *Honduras Economic Principles Course* - Contract No. PCE-I-00-99-00007-00 - Task Order 800

- *Start Date* - June 25, 1999
- *Completion Date* - September 30, 1999
- *Amount of Task Order*- \$176,284
- *Task Order Objective* - To assist the USAID Mission in Honduras to replicate courses designed to educate the public about the fundamentals of a market economy. One component of the task order was directed at young professionals and focused on economic theory and its application to the analysis and solutions of economic problems of Honduras. The other component was directed at university teachers of economics and was focused on upgrading their economics skills in light of the globalization of markets.
- *Key Tasks to Meet Objective* - 1) The organization of a seminar for a selected group of thirty young professionals recently graduated from local universities in public management, economics, or agricultural economics and young professionals that are presently working in different public service and private sector financial institutions; 2) The organization and presentation of a seminar for a group of fifteen current teachers of economics at the university level; 3) Recruit and screen the applicants for the first component; 4) Develop a course plan that includes topics on macro and micro economic theory and practice; 5) Handle all administrative arrangements for organizing and presenting the seminars.
- *COTR* - Dennis Sharma, Danilo Alvarado
- *Consortium Team Members* – Chemonics

- *Applicable Internet Links* - http://www.fs.chemonics.com/taskorder_details.asp?pid=13
- *Specific Tools Used* - 1) *Young Professionals*. Classes in: Economic Principles: Calculus and Linear Algebra; Computer Applications; Macroeconomics; Microeconomics. Economic Applications: International Commerce; Project Analysis; Agricultural Economics; Public Finance; and Statistics. 2) *University Professors*: Seminars and conferences on: Regional Economic Integration; Political Economy; International Commerce; The Economic Role of Microenterprises; Competitiveness.
- *Project Summary*. The courses for young professionals were carried out from June 25 to August 13, 1999. Thirty students were selected out of 100 that took an entrance exam. Diplomas were distributed to 27 students; however, student performance was limited due to the lack of prior education in these topics and the intensity and pace of the courses given. Recommendations were made to institute these diploma courses on a regular basis through the "Universidad Nacional Autónoma de Honduras." However, in order for the course to be successful the academic director would require independence to develop the curriculum and entrance requirements.

60 professors from throughout Honduras participated in seven conferences on current topics. Participants were enthusiastic about the program and evaluations were positive. However, results were limited due to the heterogeneity of the group and limitations on time. Recommendations were made to concentrate future efforts on the courses for young professionals and incorporate the seminar program into the regular academic curriculum of the University. In this manner, both professors and students could participate and benefit from the seminars.

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
800	\$176,284	\$162,621	\$13,662	09/30/99	09/30/99	N/A

III. Pending Work, Mission Inquires

Pending Work

- A. *India State Fiscal Management Reform Assessment*. On September 21, Chemonics was awarded Task Order 808: India State Fiscal Management Reform Assessment. Led by Georgia State University, Chemonics' subcontractor, the team will work to enhance the capacity of three states to increase efficiency, transparency, and accountability in resource mobilization and expenditure management. The team will be strengthening the capability of states to better coordinate revenue allocation and expenditure management between the state finance and planning ministries and the public sector to reduce the burden on the state fiscal budgets. The consortium's activities will shape the development of USAID/India's five-year strategy for state fiscal management reform.

- B. *Paraguay Municipal and Rural Finance.* On September 25, 2001, Chemonics was awarded Task Order 809: Paraguay Municipal and Rural Finance. Chemonics will help foster the development of sustained public-private partnerships and to increase access to financial services in rural areas. The impact of successful implementation will be felt at the local and national levels. The team will focus on specific methods and strategies to increase the access of local governments and selected private investors to commercial loans and other financial instruments. The team will provide technical assistance and training to financial institutions and will deliver financial services to small and microenterprises in rural areas. The Chemonics team will engage policy makers at all levels to identify policy, legal and regulatory reforms needed and to design strategies for implementation.

Pending Decisions

- A. *Indonesia Local Government Policy Framework.* Chemonics submitted a Tier II proposal on September 24, 2001, to assist USAID in expanding its activities in support of decentralization in Indonesia to include proposals for restructuring the legal, financial and regulatory conditions affecting local government finance. Work under this task order would include analyzing the strengths and weaknesses of the current system and developing a policy framework and strategy for enabling local governments to finance capital investments and to access credit markets or other non-budgetary sources of funds for this purpose.

I. Outstanding Issues and Questions

FS IQC extension. In late September, Chemonics received a modification to extend the Financial Services IQC contract through January 19, 2007, and to increase the ceiling to \$76,041,666. On September 25, Chemonics signed the modification and returned it to the contracting officer, Mark Walther. Chemonics has not yet received a copy of the signed modification from USAID/Washington.

Web site. On July 17, 2001, Chemonics launched the Financial Services Consortium Web site. The Web site has been designed to:

- Highlight our consortium's combined wealth of experience of almost 200 activities by country, region, and technical area
- Supply updated details of current and past task orders
- Broadcast recent consortium successes and news
- Present our consortium's core competencies and details about individual partners.

We will continue to update the website regularly throughout the life of the FS IQC contract.